



9M 2005
Financial Results
(US GAAP)

January 2006



Forward Looking Statements

- Certain statements in this presentation are not historical facts and are “forward-looking.” Examples of such forward-looking statements include, but are not limited to:
 - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
 - statements of our plans, objectives or goals, including those related to products or services;
 - statements of future economic performance; and
 - statements of assumptions underlying such statements.
- Words such as “believes,” “anticipates,” “expects,” “estimates”, “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.
- By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including our ability to execute our restructuring and cost reduction program.
- When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.



Economic Environment

9M 2005	9M 2004	Economic Environment	3Q 2005	2Q 2005
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Domestic Market

24.73	14.64	Realized oil (\$/bbl)	29.39	25.40
322.08	223.16	Realized petroleum products (\$/ton)	380.18	330.08
8.6	8.1	Inflation (%)	0.7	2.5
5.7	8.9	Ruble appreciation against USD (%)	1.3	(0.5)

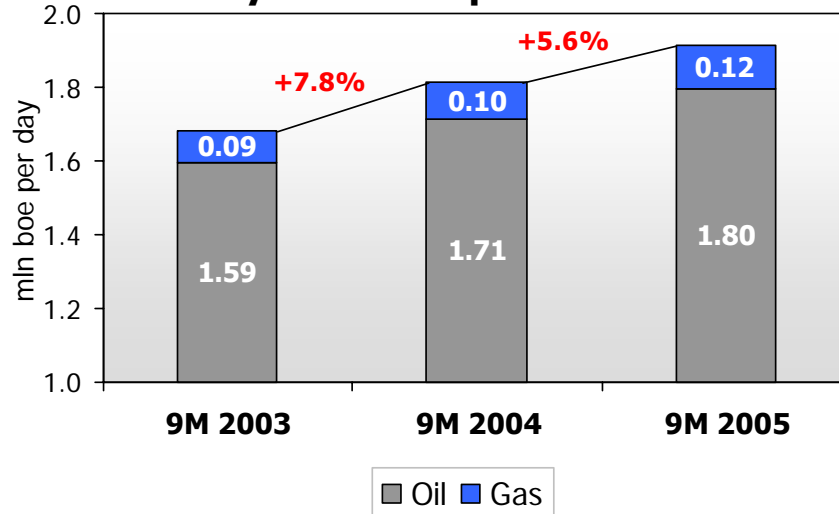
International Market

47.89	31.33	Realized oil (\$/bbl)	55.66	46.74
508.14	352.88	Realized petroleum products (\$/ton)	557.00	507.96



Oil and Natural Gas Production

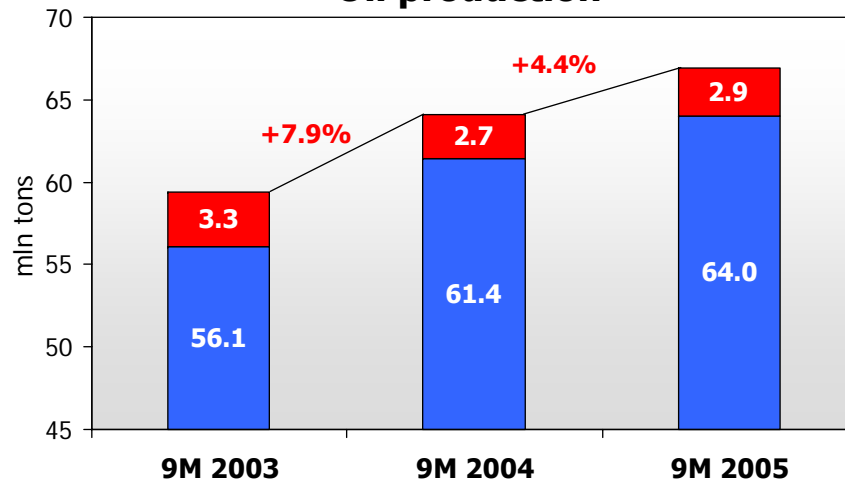
Hydrocarbon production*



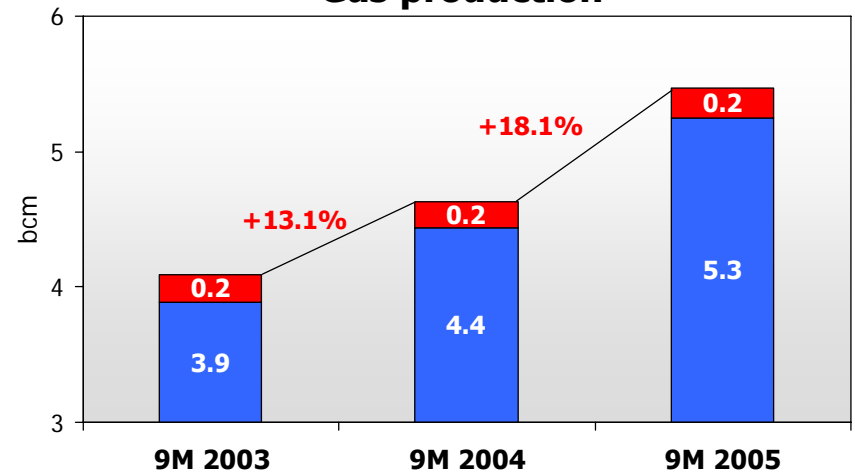
Crude oil output by LUKOIL Group (subsidiaries and LUKOIL's share in affiliates) totaled **66.9 mln tons** in 9M 2005 or increased by **4.4%** y-o-y. Natural gas output increased by **18.1%** y-o-y.

Daily hydrocarbon production increased by 5.6% y-o-y and exceeded 1.9 mln boe per day.

Oil production



Gas production**



* 1 ton = 7.33 bbl; 1,000 cubic meter = 5.885 b.o.e.

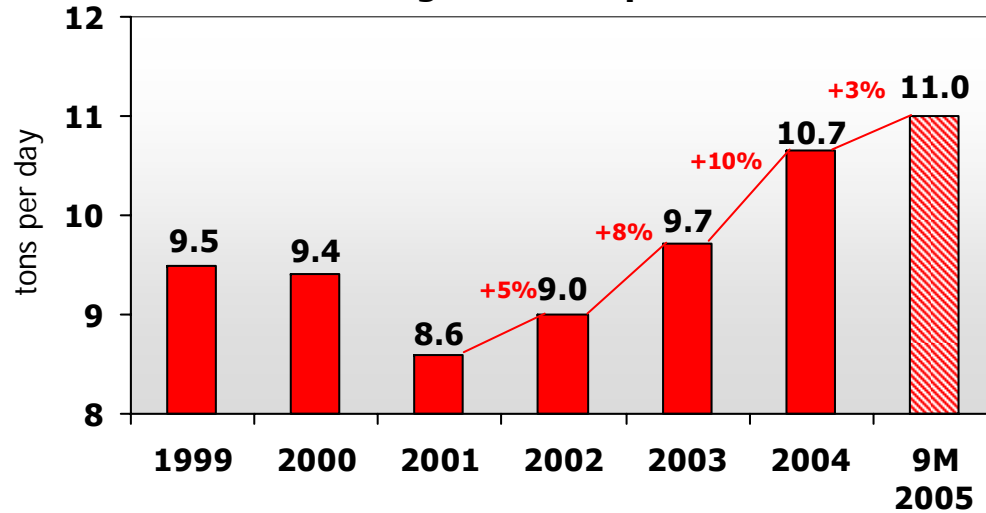
**Natural gas production includes natural gas for sales, own consumption and reinjection, as well as technological losses.

■ Share in affiliates
■ Production by subsidiaries



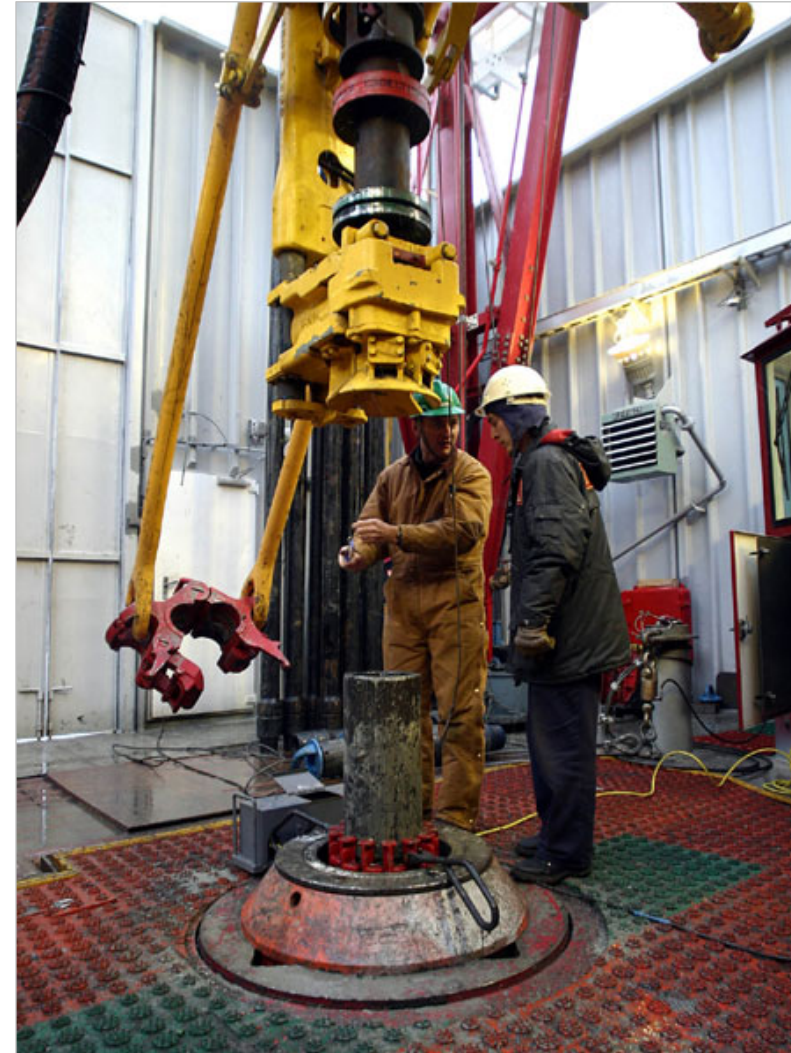
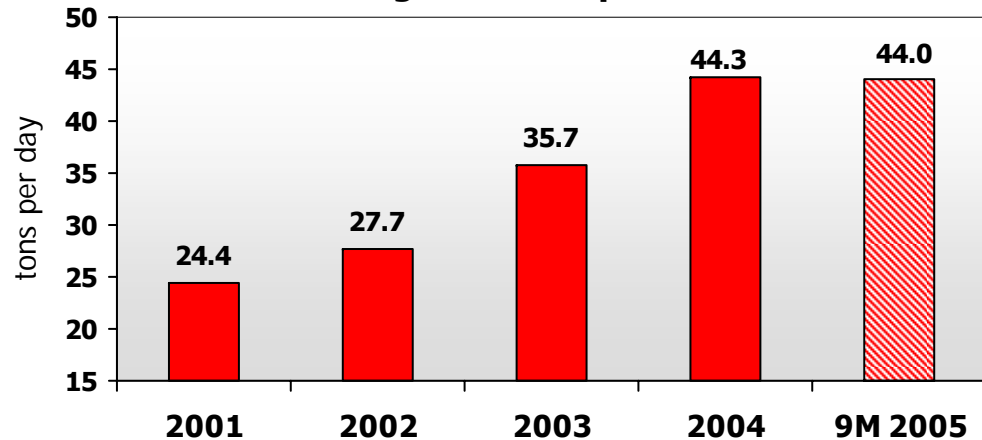
Improving Efficiency of E&P

Average flowrate per well



Since 2001 average flow rate per well has been steadily growing

Average flowrate per new well



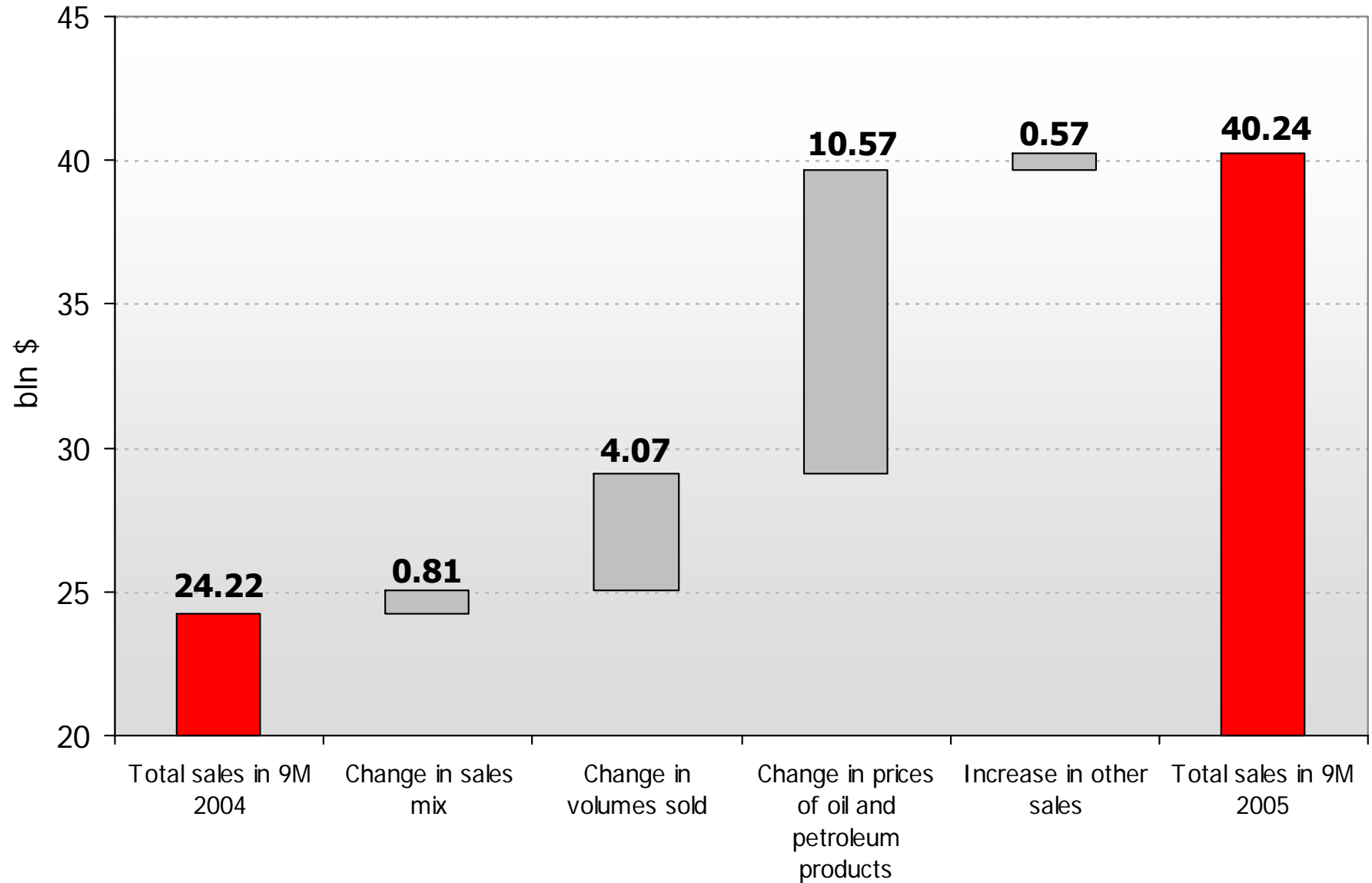


Financial Results

9M 2005	9M 2004	Financial results, mln \$	3Q 2005	2Q 2005
40,574	24,431	Total revenue	16,324	13,634
(2,376)	(2,101)	Operating expenses	(877)	(717)
(11,447)	(5,927)	Taxes other than income taxes (including excise and export tariffs)	(4,417)	(3,958)
6,932	4,444	Income from operating activities	3,092	2,144
6,604	4,339	Income before income taxes	2,987	1,979
4,801	3,095	Net income	2,211	1,410
5.90	3.79	EPS (\$)	2.72	1.73
7,657	5,220	EBITDA	3,359	2,339



Sales Reconciliation





Sales Breakdown

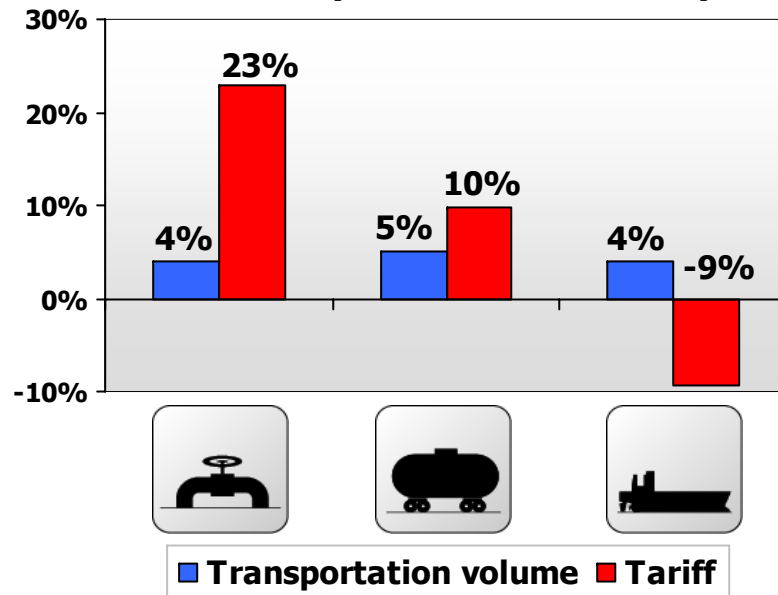
9M 2005	9M 2004	Sales breakdown	3Q 2005	2Q 2005
82.9	80.6	Export sales and sales on international markets to total volume of sales (%)	83.5	83.7
60.8	55.2	Petroleum product sales to total volume of sales (%)	63.9	59.6
53.5	46.4	Share of petroleum products in total export volumes and international sales (%)	57.6	52.8
60.9	55.1	Share of petroleum products in total export sales and international sales (%)	64.0	60.7

9M 2005	9M 2004	Sales, mln \$	3Q 2005	2Q 2005
11,842	7,643	International sales of crude oil (non-CIS)	4,432	3,996
460	475	Sales of crude oil within CIS	269	140
106	139	Sales of crude oil within Russia	48	49
20,512	10,787	International sales of petroleum products	8,730	6,870
4,824	3,252	Sales of petroleum products within Russia	1,961	1,554
863	688	International sales of petrochemicals	213	319
342	240	Sales of petrochemicals within Russia	113	116
1,289	993	Other sales	423	448
40,238	24,217	Total sales	16,189	13,492

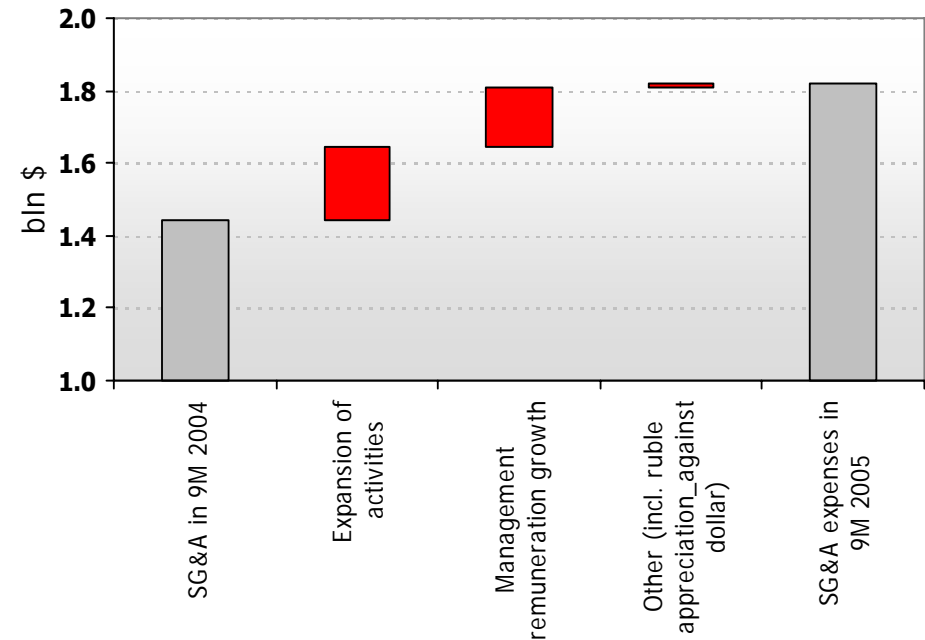


SG&A and Transportation Expenses

Transportation Expenses Change Factors (9M 2005 to 9M 2004)



SG&A reconciliation



9M 2005	9M 2004	Transportation expenses and SG&A, mln \$	3Q 2005	2Q 2005
2,522	2,080	Transportation expenses	828	857
1,820	1,445	Other selling, general and administrative expenses	686	622
4,342	3,525	Total	1,514	1,479

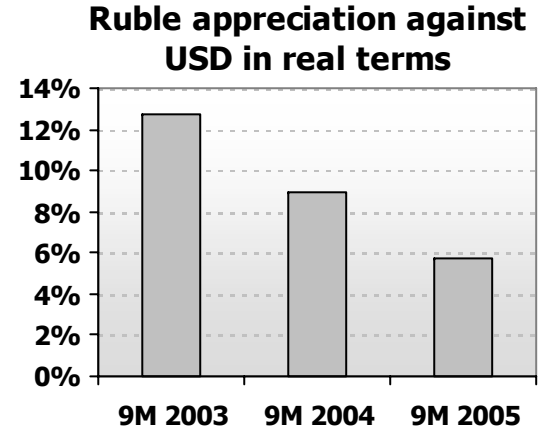
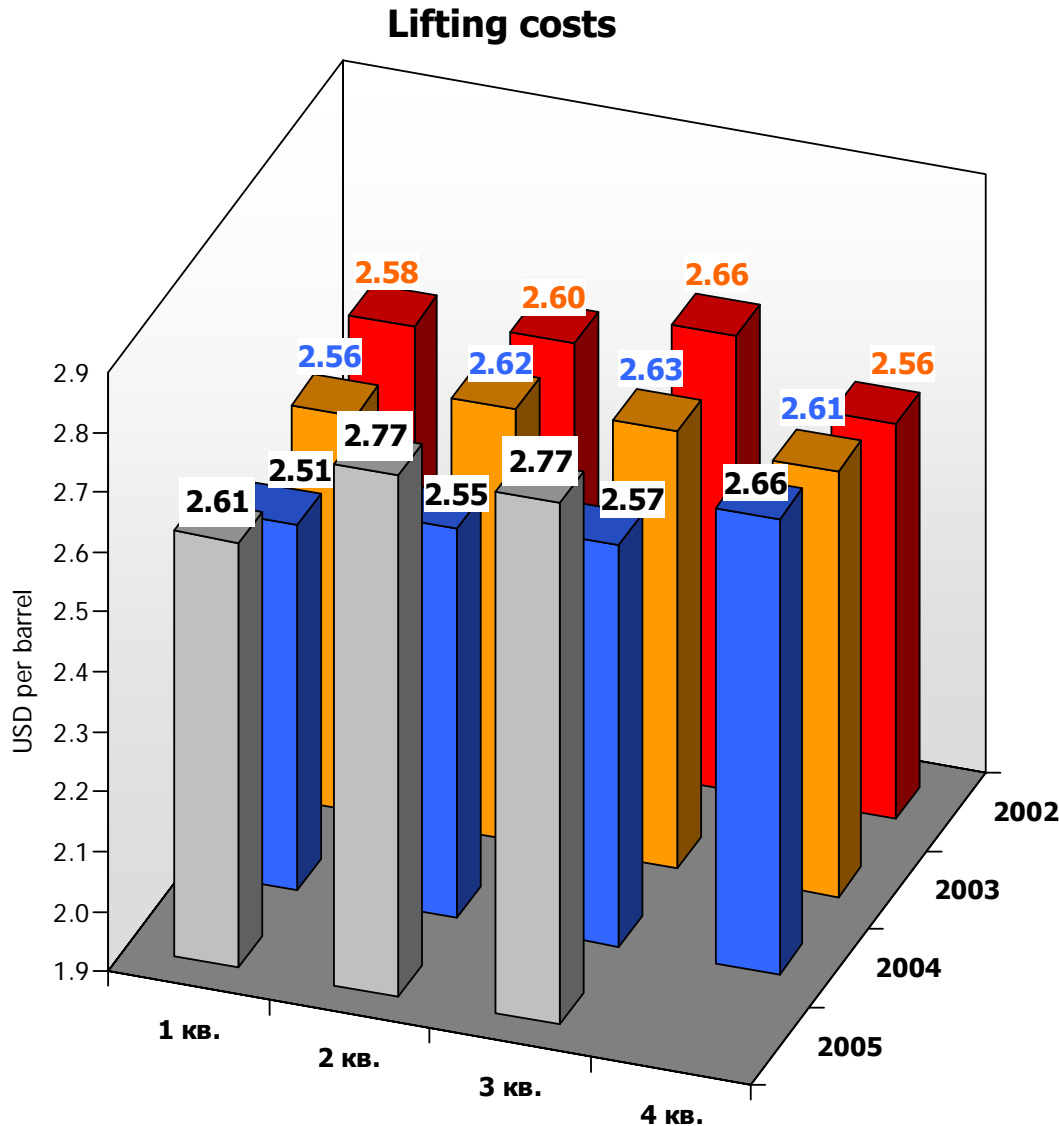


Operating Expenses

9M 2005	9M 2004	Operating expenses, mln USD	3Q 2005	2Q 2005
1,275	1,145	Lifting costs	440	434
481	372	Refinery expenses	166	167
178	146	Petrochemical expenses	68	52
442	438	Other operating expenses	203	64
2,376	2,101	Total	877	717
14,379	7,335	Cost of purchased oil, petroleum and chemical products	6,057	4,942



Reduction of Lifting Costs



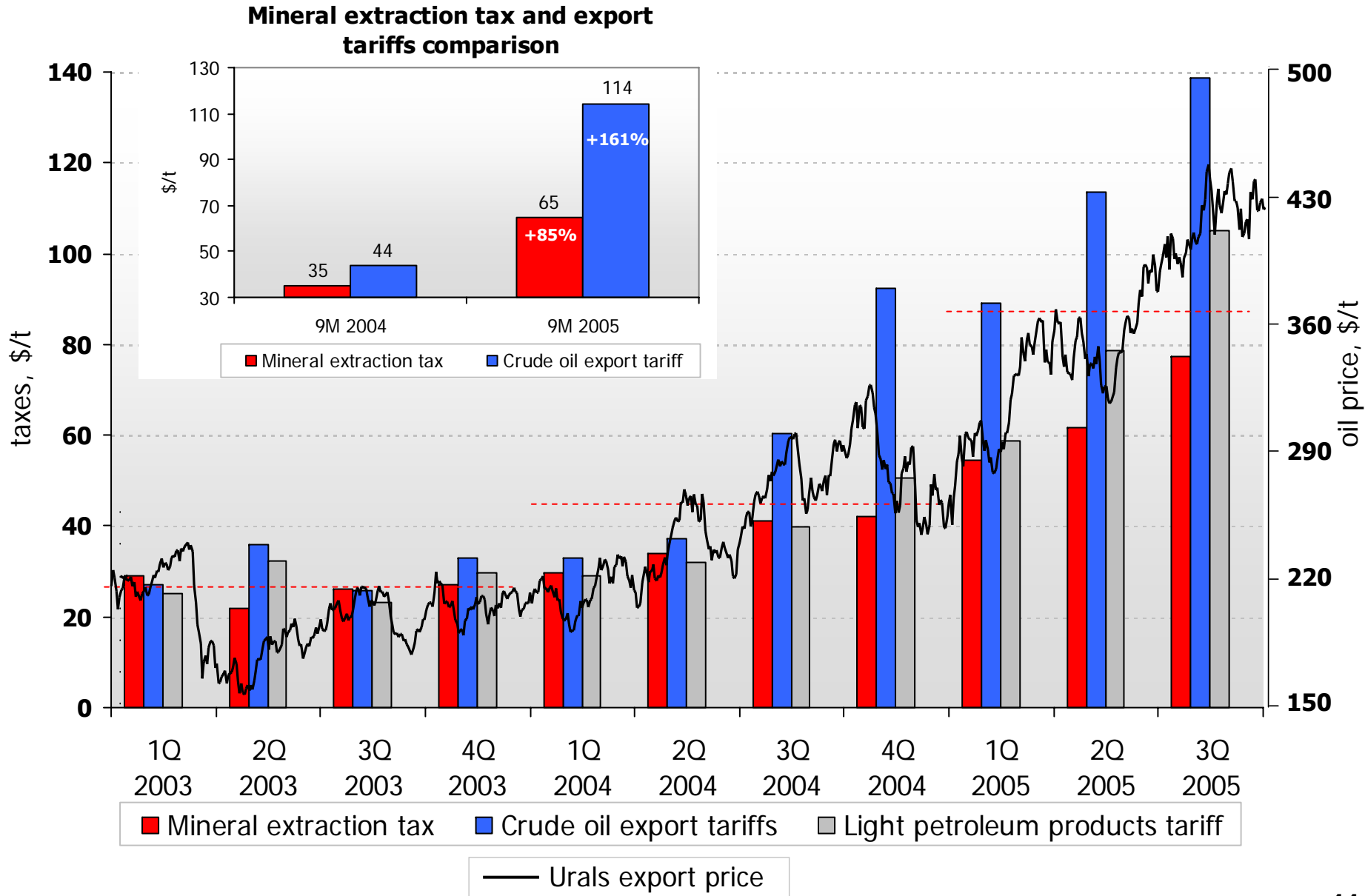
For 9 months of 2005 lifting costs per barrel of oil produced increased by 7.1% to 2.72 \$/bbl.

Ruble appreciation against USD in real terms reached 15% (for the year ended September 30, 2005)

Lifting costs declined by 8% in real terms.



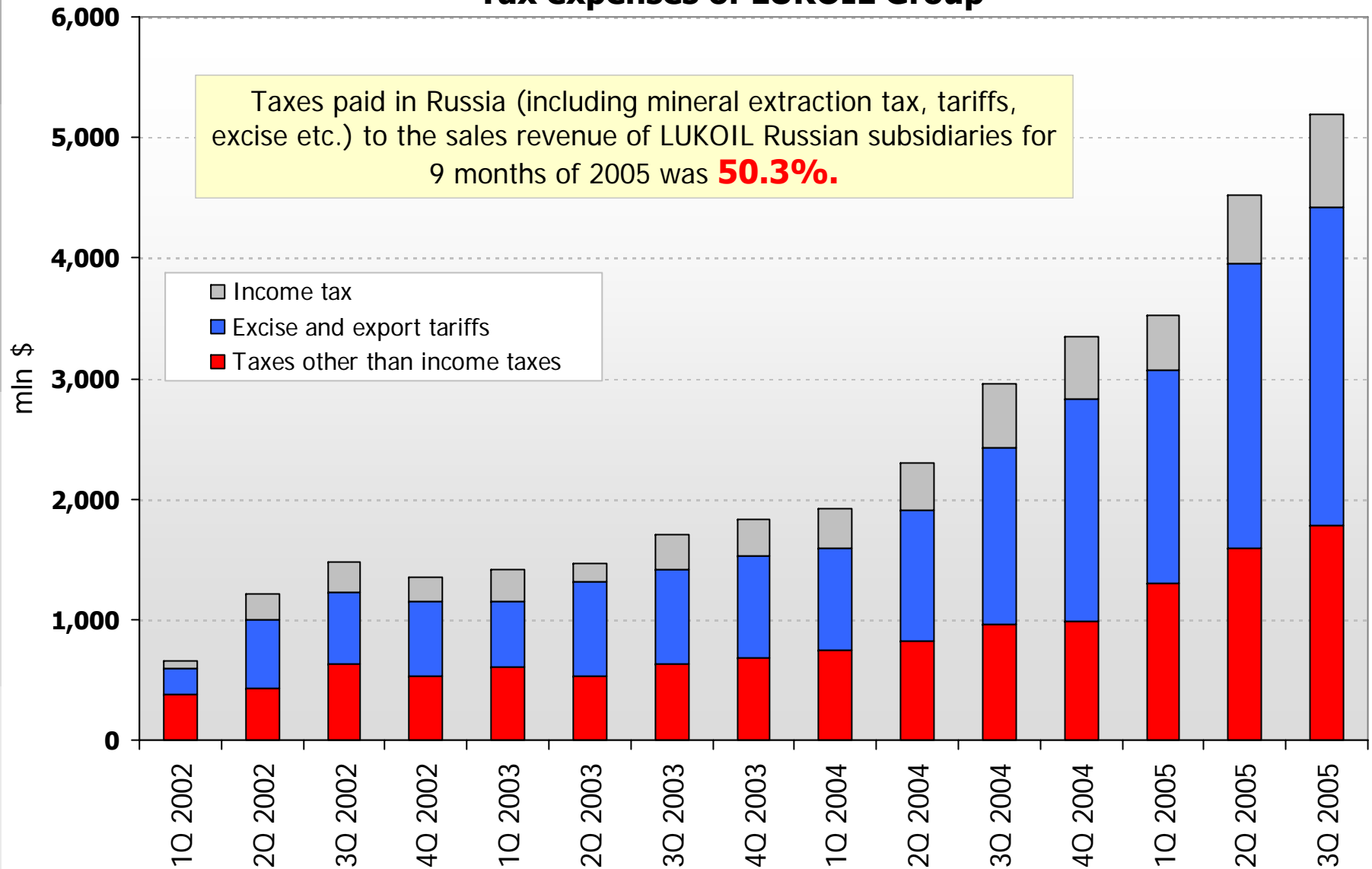
Growth of Tax Burden





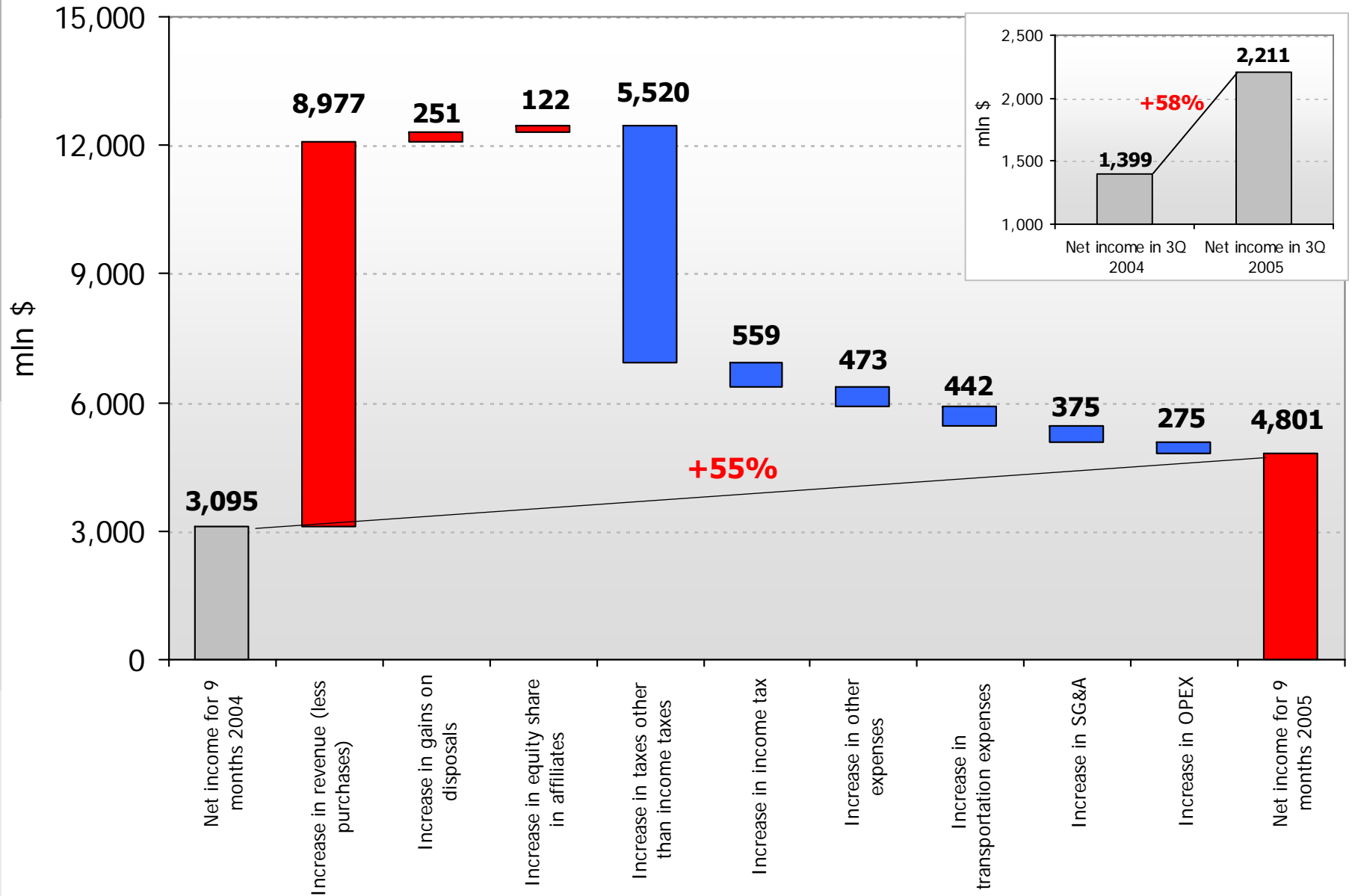
Growth of Tax Burden (ctd.)

Tax expenses of LUKOIL Group





Net Income Reconciliation





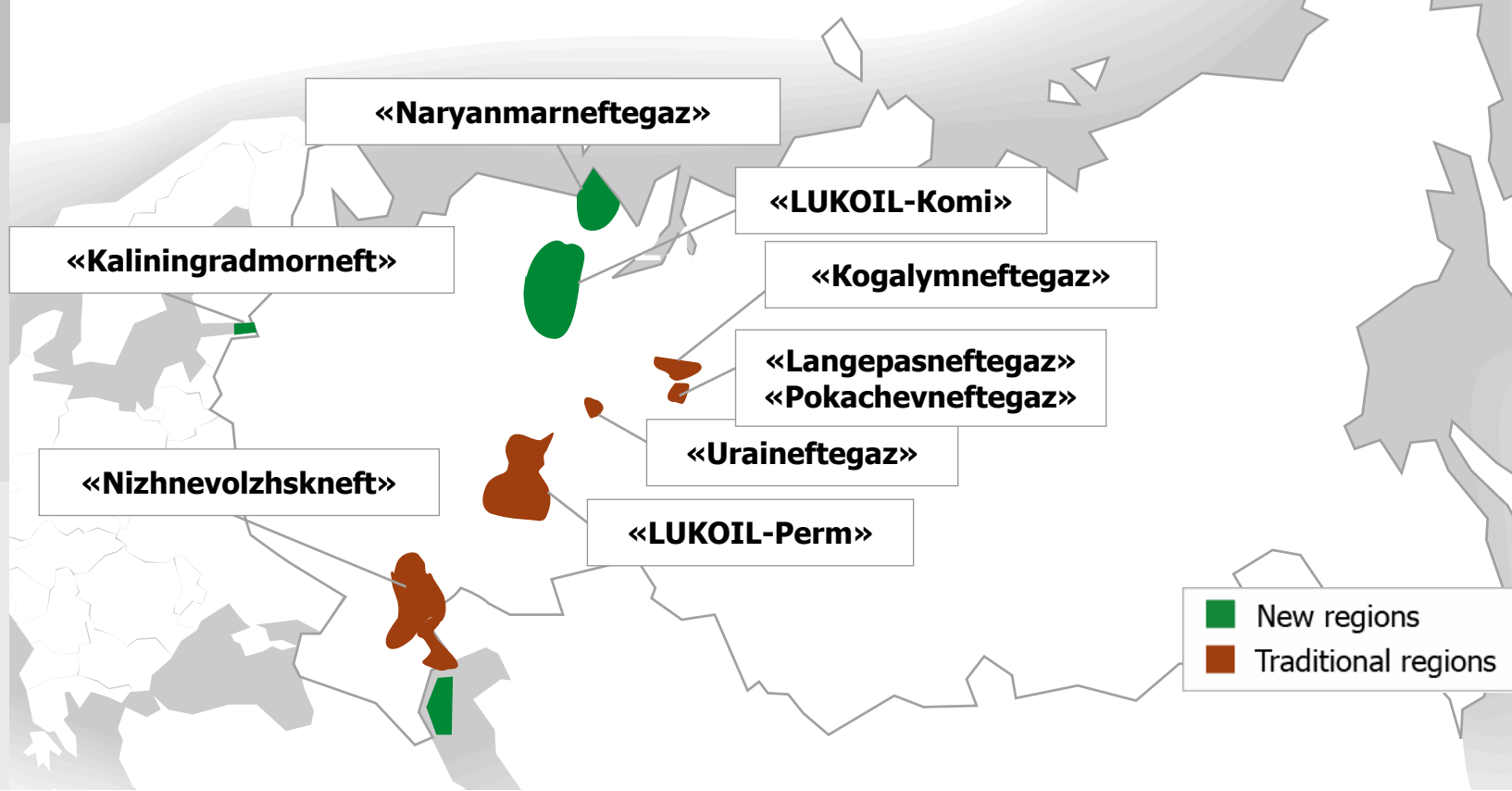
Capex Breakdown

9M 2005	9M 2004	Capital expenditures, mln \$	3Q 2005	2Q 2005
2,062	1,461	Exploration and production	676	732
<i>1,785</i>	<i>1,374</i>	<i>Russia</i>	<i>586</i>	<i>628</i>
468	259	North of Timan-Pechora	175	152
182	286	Yamal	19	77
186	29	Caspian (including international projects)	45	80
<i>277</i>	<i>87</i>	<i>International</i>	<i>90</i>	<i>104</i>
770	793	Refining and marketing	240	270
<i>435</i>	<i>548</i>	<i>Russia</i>	<i>116</i>	<i>162</i>
<i>335</i>	<i>245</i>	<i>International</i>	<i>124</i>	<i>108</i>
49	30	Petrochemistry	19	20
40	16	<i>Russia</i>	15	20
9	14	<i>International</i>	4	0
37	17	Other	0	23
2,918	2,301	Total (cash and non-cash)	935	1,045



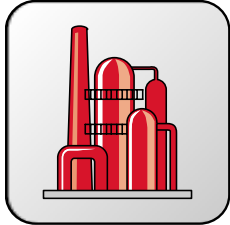
E&P Capex

Capital expenditures, mln \$	9M 2005	9M 2004	Growth
Traditional regions	949	800	+18.6%
New regions	836	574	+45.6%
<i>Yamal</i>	<i>182</i>	<i>286</i>	<i>-36.4%</i>
<i>North of Timan-Pechora</i>	<i>468</i>	<i>259</i>	<i>+80.7%</i>
<i>Caspian (including international projects)</i>	<i>186</i>	<i>29</i>	<i>+541.4%</i>
Total in Russia	1,785	1,374	+29.9%

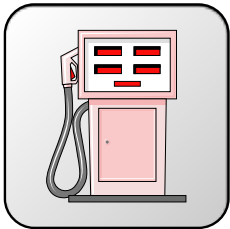




LUKOIL Will Ensure Future Value Growth



- **Refineries upgrade (increase in output of products with high value added)**



- **Development of distribution network (increase in retail sales of petroleum products, as retail sales are more profitable than wholesale)**

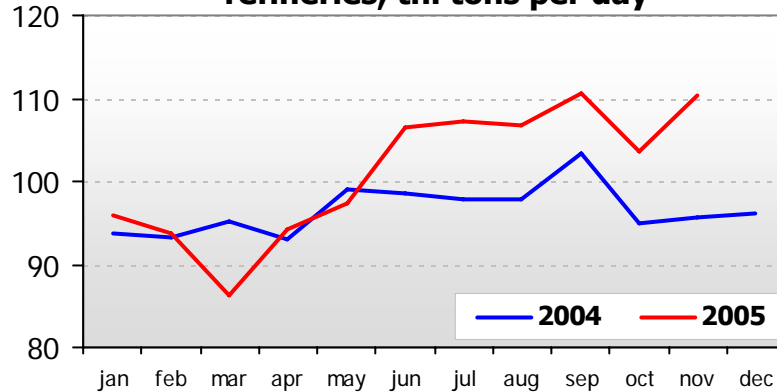


- **Increasing natural gas sector weight in LUKOIL total production, as gas price is more stable and will grow in the mid-term**

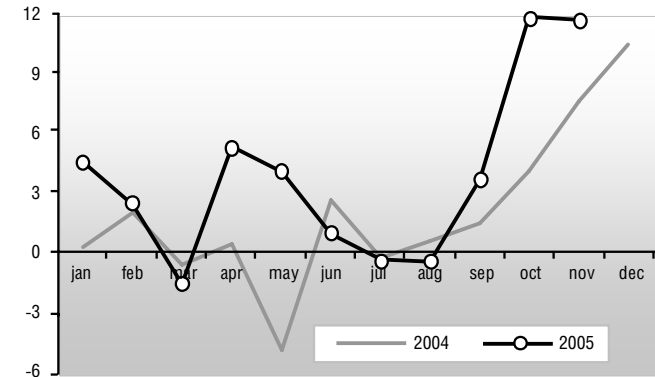


Oil Refining in Russia is More Profitable Than its Exports

Oil throughputs at LUKOIL Russian refineries, th. tons per day



Russian refining margin, \$/barrel



Source: LUKOIL (average refinery without catalytic cracking in European Russia)

Average refinery in European Russia

Oil exports by alternative routes from the refinery

\$/t

Urals price (Western Europe)

380

Transportation costs from refinery gate

38

Export tariff

180

Netback Value (refinery gate)

162

Oil refining

\$/t

Average wholesale price of petroleum product basket at refinery gate (excluding taxes)*

245

Refining costs

17

Netback Value (refinery gate)

228



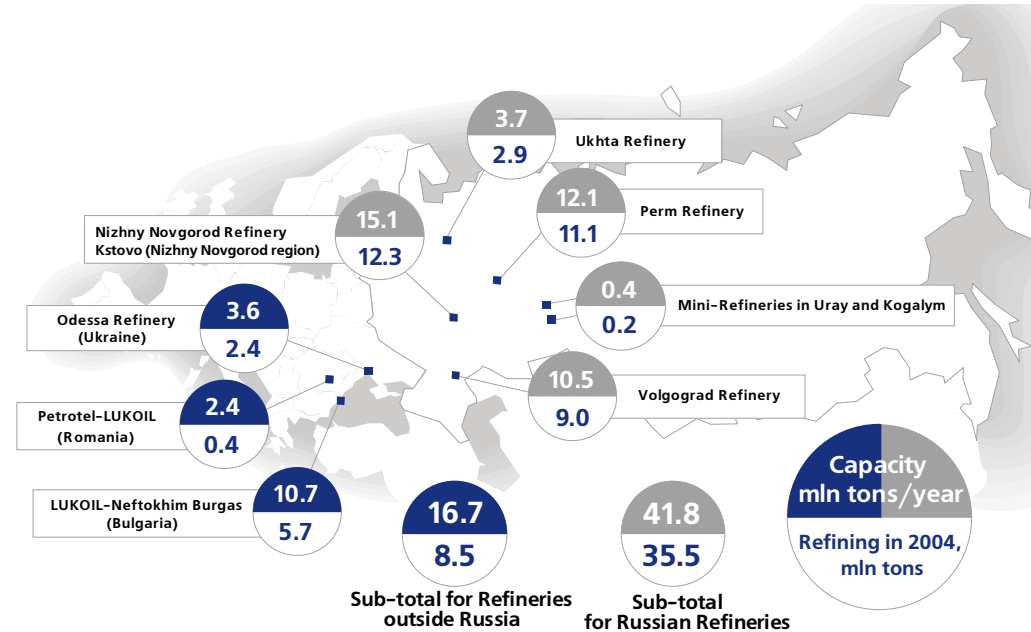
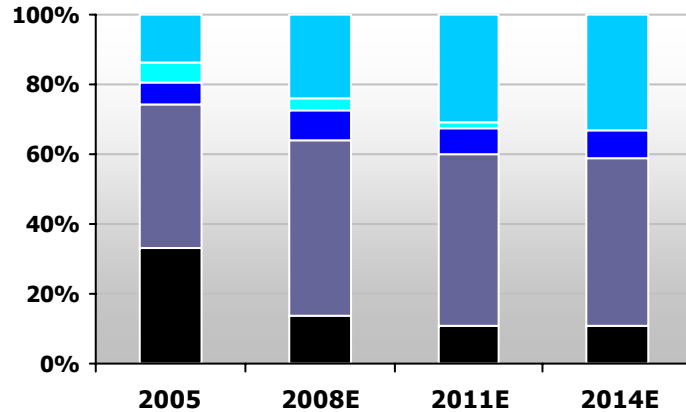
Current level of oil export tariffs makes oil refining in Russia more profitable than crude oil exports. The economic effect from throughputs increase by 10% at LUKOIL Russian refineries is more than \$200 mln per annum.

*Considers domestic sales and exports.



Refineries Upgrade

Structure of petroleum product output at LUKOIL refineries



- Reconstruction and modernization of Nizhny-Novgorod refinery have been started
- Reconstruction and modernization of Odessa refinery have been started
- First stage of coke calcination unit has been commissioned at Volgograd refinery

The economic effect from upgrade completion of Russian refineries alone will reach \$2 bln per annum by 2014.

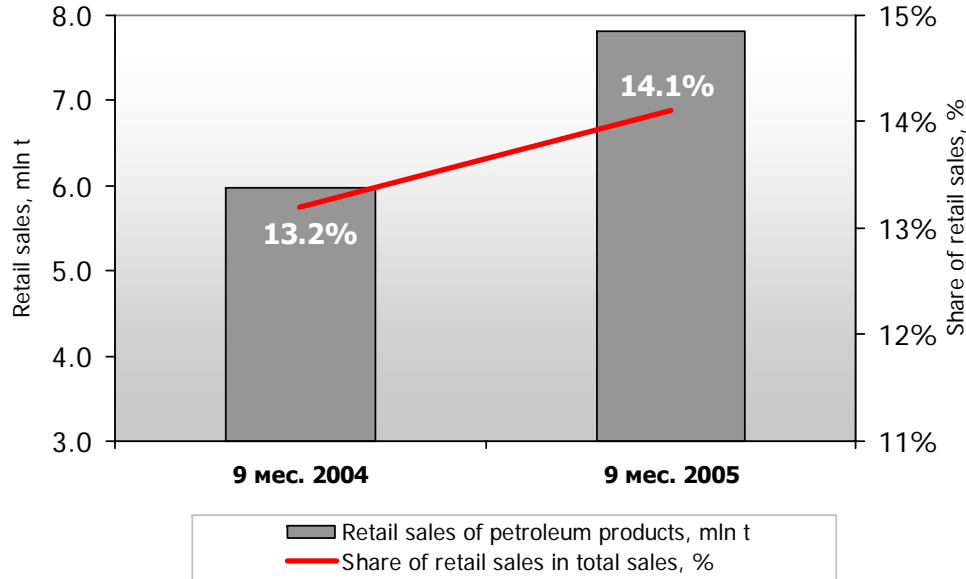
Introduction of Euro-standards at LUKOIL refineries

	2005	2007	2009	2014
Russian refineries	Euro-2	Euro-2/ Euro-3	Euro-3	Euro-4
Petrotel (Romania)	Euro-3	Euro-4	Euro-4	Euro-5
Burgas (Bulgaria)	Euro-2	Euro-3	Euro-4	Euro-5

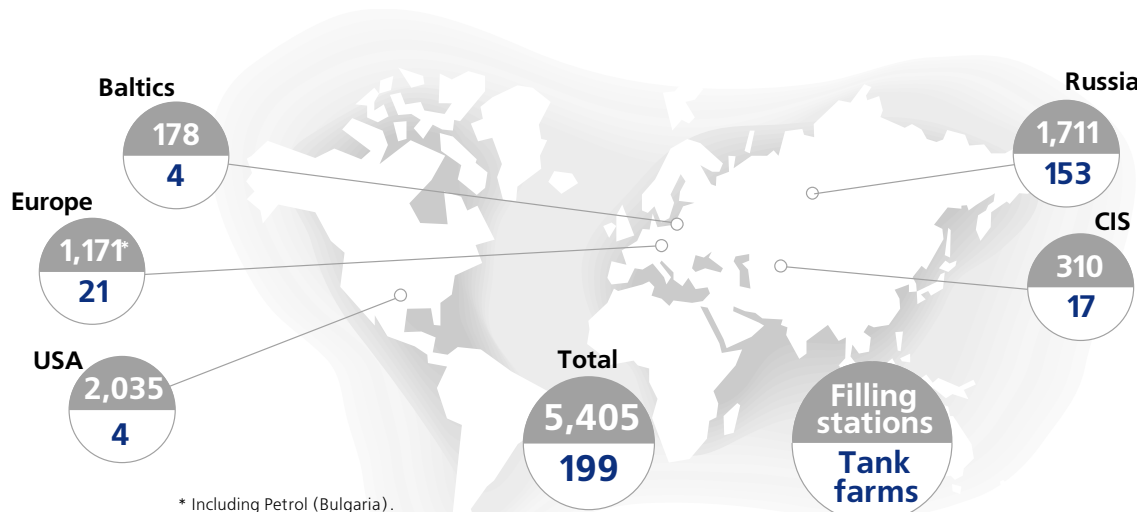


LUKOIL Develops Retail Sales of Petroleum Products

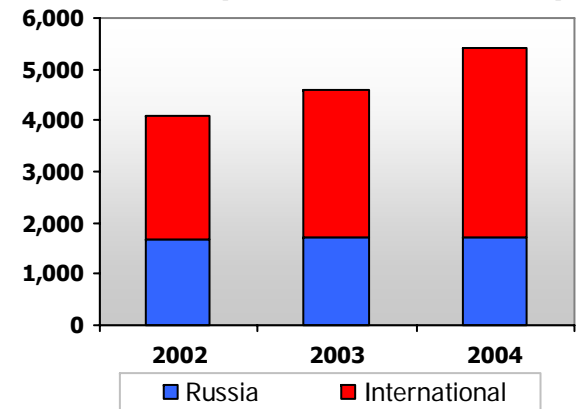
Retail sales of petroleum products and its share in total petroleum product sales



Share of petroleum product retail sales keeps increasing. Retail sales of LUKOIL Group for 9 months 2005 were **7.8** mln t, which is **31%** more than in the same period of 2004. Total sales of petroleum products increased by **23%**.

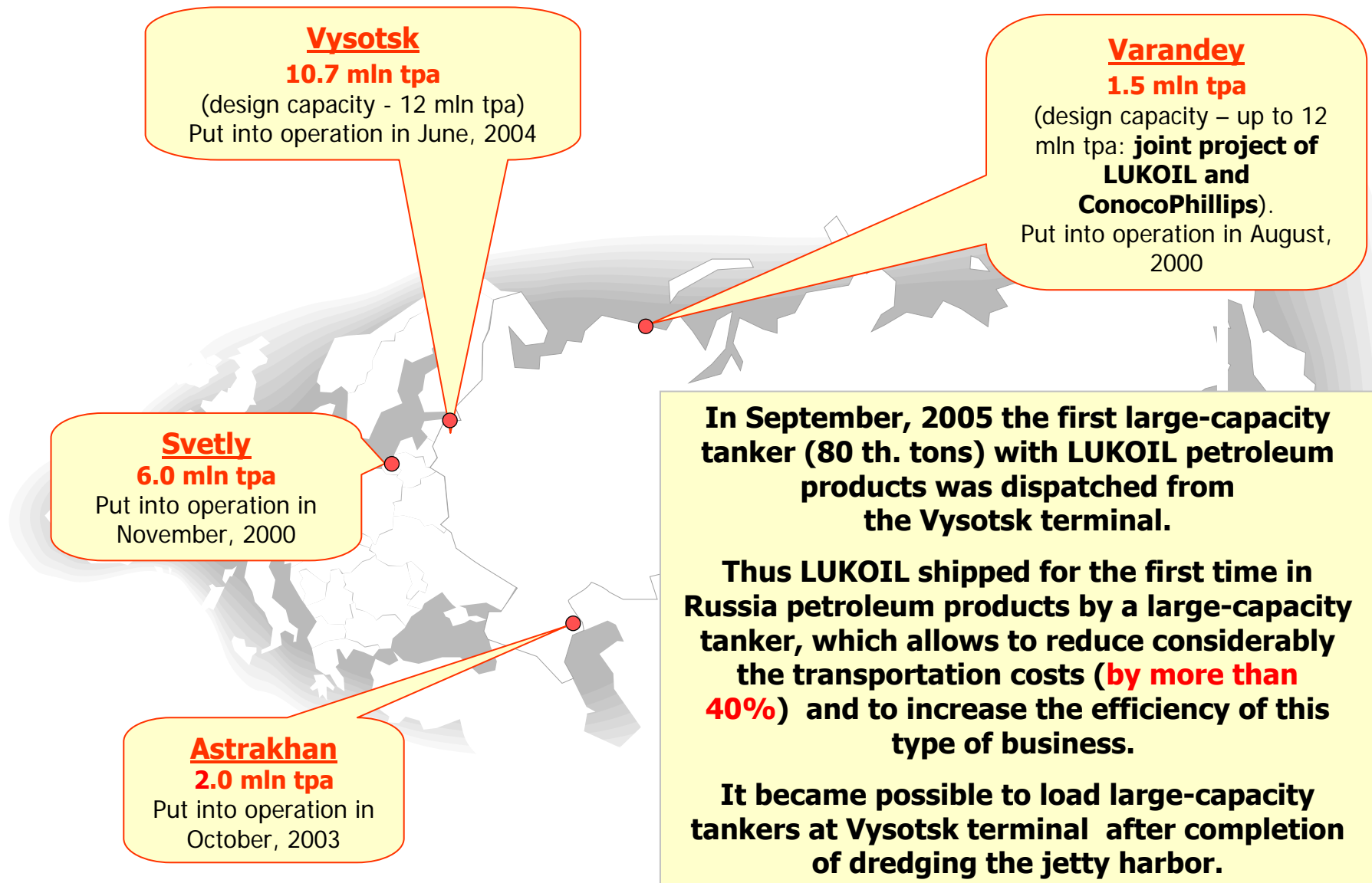


LUKOIL retail network, filling stations (owned and franchized)





Export Infrastructure Development





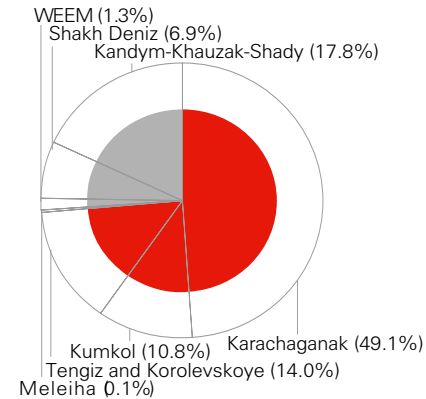
LUKOIL in Kazakhstan

LUKOIL has been operating in Kazakhstan since 1995. The Company invested in oil & gas projects of this country more than \$2 bln during this period.

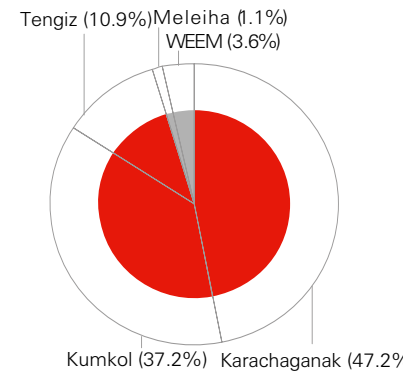
LUKOIL:

- Develops the Karachaganak, Tengiz and Kumkol fields (total production in 9M 2005: almost **2.5 mln tons** of crude oil and **1.4 bcm** of gas)
- Executes geological exploration under project Dostyk on the Caspian offshore (the Tyub-Karagan and Atashsky blocks)
- Participates in the Caspian Pipeline Consortium

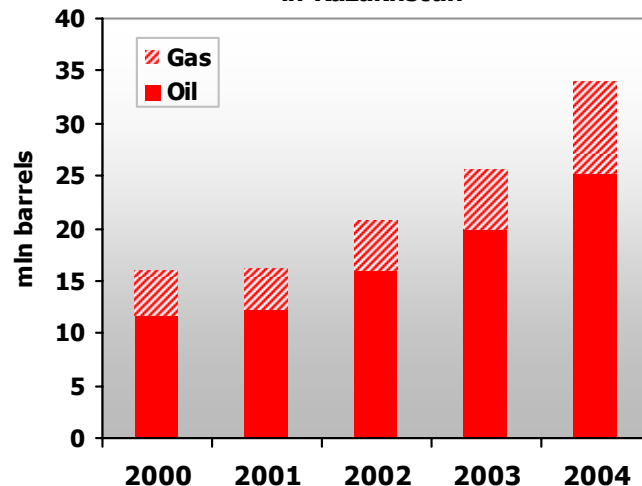
Proved hydrocarbon reserves in international projects (31.12.2004)



Hydrocarbon production in international projects (2004)



LUKOIL Group hydrocarbon production in Kazakhstan





LUKOIL Acquired High Quality Assets with Fast Growing Production

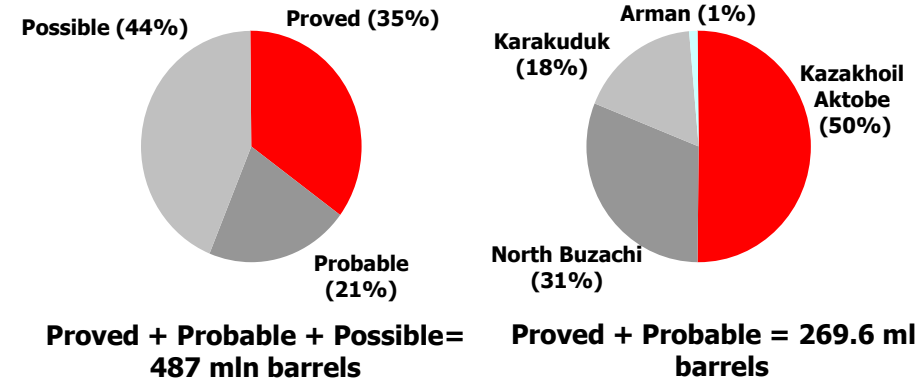
Assets of Nelson Resources:

- **50%** interest in Kazakhoil Aktobe (the Alibekmola and Kozhasai fields)
- **50%** interest in the North Buzachi field
- **76%** interest in the Karakuduk field
- **50%** interest in the Arman field
- Options to acquire **25%** in the South Zhambai and South Zaburunye offshore blocks (100% KazMunaiGas property)

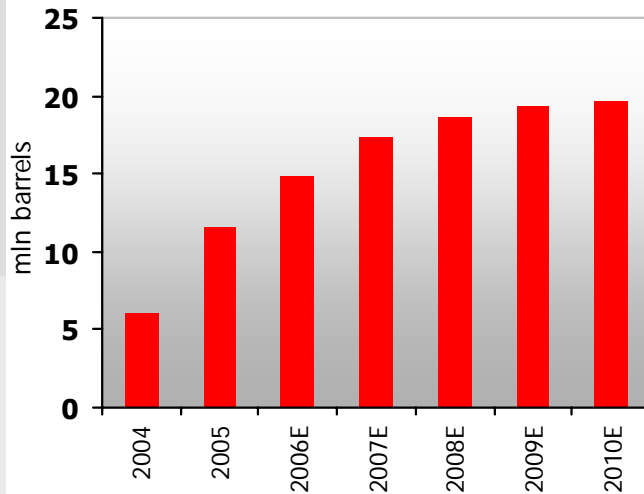
Proved and probable oil reserves – **269.6** mln barrels

Production in 1H 2005 – **28,560** barrels per day

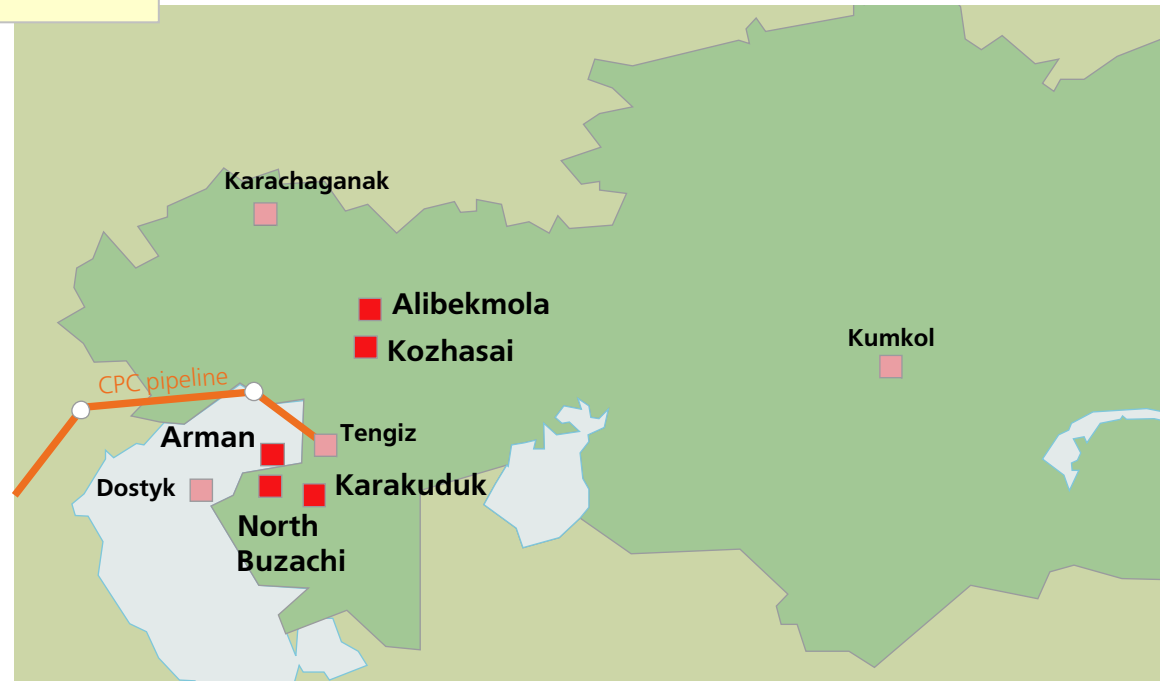
Reserves structure



Nelson Resources production forecast*



* Conservative case.





Company's Strategy



- **Increase revenues**

- increase volume of oil extracted
- increase volume of refined products
- increase export of crude oil and refined products



- **Decrease expenses**

- shut-in inefficient (low-producing) wells
- put into operation new high-producing wells
- use effective and efficient service companies



- **Increase efficiency of investments**

- development of export infrastructure
- purchase new oil and gas reserves at the lowest possible price
- increase number of high-producing wells
- divesting of non-core assets